ASHLAND EXPLORATION, INC.

Petitioner/Appellant;

Re: Gas and Oil Inspector's Decision Docket IFFH 6090

FEB 1993

RECEIVED

GAS & OIL

v.

FON ROGERS II, TRUSTEE,
LON B. ROGERS BRADSHAW TRUST NO. 2,
OXY USA INC., BUCHANAN PRODUCTION COMPANY,
ISLAND CREEK COAL COMPANY, and
GEORGIA-PACIFIC CORPORATION;

Respondents/Appellees.

MEMORANDUM OF OXY USA INC., BUCHANAN PRODUCTION COMPANY, ISLAND CREEK COAL COMPANY, and GEORGIA-PACIFIC CORPORATION IN OPPOSITION TO PETITION FOR APPEAL

NOTICE ISSUE

Section 45.1-361.30, Code of Virginia, requires the applicant for a well work permit to "within one day" of the filing of permit application to provide notice to

4. All gas, oil, or royalty owners within . . . the boundaries of a drilling unit established pursuant to the provisions of this chapter.

Attached hereto is Exhibit G which was submitted by Ashland Exploration as part of its permit package. This Exhibit discloses on its face that the "voluntary unit" includes a tract owned by the Rogers Bradshaw Trust the coal under which was leased to Island Creek Coal Company. Nevertheless, no notice of this application was mailed to Island Creek, OXY or Buchanan Production.

It is difficult to understand how Ashland Exploration can contend, as it apparently does, that Ashland did not know that Island Creek claims an interest in the coalbed methane under the Rogers Bradshaw Tract inasmuch as Ashland had filed more than a

dozen administrative appeals from prior orders of the Virginia Gas and Oil Board, many of which involved the Rogers' acreage, the Island Creek coal lease and OXY USA Inc. appointment as designated operator.

This Board has previously found and stated in its orders that that Island Creek Coal Company and OXY USA Inc. have standing as claimants to coalbed methane, by virtue of the Island Creek/Rogers coal lease, to seek to force pool acreage subject to the Rogers' coal lease:

...the provisions of Section 45.1-361.22 should be construed broadly. This broad construction is necessary to recognize that there may be conflicting claims to the ownership of coalbed methane gas. The Virginia General Assembly recognized that conflicting claims to ownership could potentially prevent development and production of this resource. Section 45.1-361.22 addresses this problem and allows for the development and production of occluded coalbed methane pending resolution of ownership.

Accordingly, based upon the evidence presented, the Board finds the OXY USA Inc. is a claimant within the meaning of Section 45.1-361.22 . . . and has the right to conduct operations on its occluded coalbed methane interests.

Virginia Gas and Oil Board Order Unit D-36.

The Inspector could, and perhaps should, have found that the well permit application at issue be dismissed inasmuch as Ashland Exploration had not compiled with the notice requirements of § 45.1-361.30, Code of Virginia. Because Island Creek Coal Company, OXY USA Inc. and Buchanan Production learned of the application from persons other than Ashland in time to object to the issuance of this permit, the Inspector chose to ignore the notice issue as a means of disposing of the application.

CONSENT TO STIMULATION ISSUE

Counsel's December 3 letter tendering Georgia-Pacific Corporation's objection to the issuance of the well permit in question specifically raised the consent to stimulate issue at item 6. thereof. Ashland Exploration offered no evidence at the hearing to suggest that it had obtained a consent covering the Georgia-Pacific acreage or that such consent was unnecessary. Because Virginia Code section 45.1-361.29.F.2. places an obligation upon the permit applicant to submit all required consents with its application, it would seem reasonable to assume, as the Inspector apparently did, that Ashland Exploration had the burden of demonstrating that its permit package contained all required consents.

DISCLOSURE OF METHOD OF STIMULATION

Virginia Code § 45.1-361.30.F.1. requires that the permit application include "The method the coalbed methane gas operator will use to stimulate the well."

Ashland Exploration's permit application states in that regard: "A hydraulic stimulation treatment will be performed. Design and details as yet are undetermined (see Exhibit F)." A review of Exhibit F immediately discloses that the referenced Exhibit offers no information relevant to stimulation.

At the informal fact finding hearing, Island Creek Coal Company specifically raised its concerns that although the Rogers' acreage appeared to be more than 750 feet from the proposed wellbore Island Creek needed information regarding the proposed

stimulation to address its concerns that the fractures induced by the proposed stimulation might reach and effect coal it had under lease. If such information caused Island Creek Coal Company to have concerns regarding mine safety, Island Creek could then tender its objections under § 45.1-361.11.B.2., Code of Virginia.

The above language quoted from Ashland Exploration's permit package should be regarded as an admission that the application is incomplete because it provides no information regarding the design and details regarding the proposed stimulation.

Contrary to the assertion of Ashland Exploration's counsel in his Petition for Appeal, the undersigned recalls no testimony offered by Ashland Exploration at the hearing in question clearly defining the method of stimulation.

Dated at Abingdon, Virginia, this 8th day of February, 1992.

OXY USA INC., BUCHANAN PRODUCTION COMPANY, ISLAND CREEK COAL COMPANY, and GEORGIA-PACIFIC CORPORATION

BY COUNSEL

Howard G. Salisbury, Jr.

Mark A. Swartz

Kay Casto Chaney Love & Wise

P.O. Box 517

Abingdon, Virginia 24210

703-628-9211

CERTIFICATE OF SERVICE

Mark A. Swartz does hereby certify that the foregoing Memorandum was hand delivered to the Gas and Oil Inspector's Office and mailed, postage prepaid by U.S. Mail to Attorneys J. Grant McGuire and Donald R. Johnson this 8th day of February, 1992.

Mark A. Swartz

ASHLAND EXPLORATION, INC.

Petitioner/Appellant;

Re: Gas and Oil Inspector's Decision Docket IFFH 6090

v.

FON ROGERS II, TRUSTEE,
LON B. ROGERS BRADSHAW TRUST NO. 2,
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Accordingly, based upon the evidence presented, the Board finds the OXY USA Inc. is a claimant within the meaning of Section 45.1-361.22 . . . and has the right to conduct operations on its occluded coalbed methane interests.

Virginia Gas and Oil Board Order Unit D-36.

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Dated at Abingdon, Virginia, this 8th day of February, 1992.

OXY USA INC., BUCHANAN PRODUCTION COMPANY, ISLAND CREEK COAL COMPANY, and GEORGIA-PACIFIC CORPORATION

BY COUNSEL

Howard G. Salisbury, Jr.

Mark A. Swartz

Kay Casto Chaney Love & Wise

P.O. Box 517

Abingdon, Virginia 24210

703-628-9211

CERTIFICATE OF SERVICE

Mark A. Swartz does hereby certify that the foregoing Memorandum was hand delivered to the Gas and Oil Inspector's Office and mailed, postage prepaid by U.S. Mail to Attorneys J. Grant McGuire and Donald R. Johnson this 8th day of February, 1992.

Mark A. Swartz

CAMPBELL, WOODS, BAGLEY, EMERSON, MCNEER & HERNDON

ATTORNEYS AND COUNSELORS AT LAW

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February 15, 1993

R. CARTER ELVINS CHERYL L. CONNELLY
J. GRANT MCGUIRE DAVID CURTIS RAY DAVID A. MOHLER
CHARLES I. JONES, JR.
JOHN D. HOFFMAN
JOHN F. MCCUSKEY
JAMES W. GABEHART LAURA L. GRAY CHRISTOPHER A. CONLEY * + WILLIAM J. HANNA PHILIP Q. RATLIFF

JAMES H. DAVIS, III OF COUNSEL

. NOT ADMITTED IN WEST VIRGINIA + ALSO ADMITTED IN OHIO

Byron T. Fulmer Principal Executive to the Staff The Virginia Gas & Oil Board P. O. Box 1416 230 Charwood Drive Abingdon, Virginia 24210

> Ashland Exploration, Inc. - Appeal Re: of Inspector's Oil and Gas Lease with Lon Rogers, Decision on Clinchfield - Ritter - Rogers CBM Well Permit Application

Dear Tom:

ROLLA D. CAMPBELL (1895-1987)

ROBERT K. EMERSON (1922-1991)

SELDEN S. MCNEER, JR.

CHARLES F. BAGLEY, III

EDWARD M. KOWAL, JR. JAMES H. MOORE, TIL

JOEL PATRICK JONES

W. NICHOLAS REYNOLOS

MILTON T. HERNDON

SELDEN S. MCNEER (1894 1963) 2323 LUTHER E. WOODS (BETTARD) CONTROL CHARLES F. BAGLE

RICHARD GREGORY MCNEER RECEIVED

HOWARD R. CREWS, JR. DIVISION OF

FEB 1993

GAS & OIL

1997

Please find a notice of withdrawal of the appeal which I filed on January 8, 1993, to your Inspector's Decision signed on December 29, 1992. Since we recently had another hearing on the matter, the issues are moot.

Sincerely,

Grant McGuire

JGM/jc

Donald Johnson, Esquire (w/encl) Mark Swartz, Esquire (w/encl)

Bernie Ulincy (w/encl)

ASHLAND EXPLORATION, INC.

Petitioner/Appellant,

VS.

RE: Gas and Oil Inspector's Decision
DOCKET # IFFH 6092

FON ROGERS II, TRUSTEE; LON B.
ROGERS BRADSHAW, TRUST #2;
OXY USA, INC.; BUCHANAN PRODUCTION
CO.; ISLAND CREEK COAL CO.;
GEORGIA PACIFIC CORPORATION,

Respondents/Appellees.

NOTICE OF WITHDRAWAL OF APPEAL OF INSPECTOR'S DECISION

Comes Ashland Exploration, Inc. ("Ashland") by counsel, and notifies the parties hereto that it withdraws its appeal of the Inspector's Decision referenced above.

Counsel for Ashland Exploration, Inc.
J. Grant McGuire

J. Grant McGuire Campbell, Woods, Bagley, Emerson, McNeer & Herndon P. O. Box 1835 Huntington, West Virginia 25719

CERTIFICATE OF SERVICE

I, J. Grant McGuire, hereby certifies that a true copy of the foregoing was mailed this 17 day of 780, 1993, to Donald Johnson, Esquire, at his address at 5 West Valley, Bristol, Virginia, 25201, counsel for Fon Rogers, II and Lon B. Rogers (individually and as Trustees of various entities and as agents for other parties), Mark Swartz, P. O. Box 2031, Charleston, West Virginia, 25372, counsel for Georgia Pacific, Oxy USA, Inc., Island Creek Coal Company and Buchanan Production Company.

Counsel for Ashland Exploration, Inc

CAMPBELL, WOODS, BAGLEY, EMERSON, MCNEER & HERNDON

ATTORNEYS AND COUNSELORS AT LAW

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R. CARTER ELKINS
CHERYL L CONNELLY
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DAVID A. MOHLER
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JOHN D. HOFFMAN
JOHN F. MCCUSKEY
JAMES W. GABEHART
LAURA L. GRAY
CHRISTOPHER A. CONLEY * †
WILLIAM J. HANNA
PHILIP Q. RATLIFF *

JAMES H. DAVIS, III

NOT ADMITTED IN WEST VIRGINIA TALSO ADMITTED IN OHIO

January 8, 1993

via Telecopier #703-676-5459 and via First Class Post

Byron T. Fulmer
Principal Executive to the Staff
The Virginia Gas & Oil Board
P. O. Box 1416
230 Charwood Drive
Abingdon, Virginia 24210

Re: Ashland Exploration, Inc. - Appeal of Inspector's Oil and Gas Lease with Lon Rogers, Decision on Clinchfield - Ritter - Rogers CBM Well Permit Application

Dear Tom:

ROLLA D. CAMPBELL (1895-1987) SELDEN S. MCNEER (1894-1963)

ROBERT K. EMERSON (1922-1991)

LUTHER E. WOODS (RETIRED) CHARLES F. BAGLEY

RICHARD GREGORY MCNEER

SELDEN S. MCNEER, JR. MILTON T. HERNDON

HOWARD R. CREWS, JR.

CHARLES F. BAGLEY, III EDWARD M. KOWAL, JR.

JAMES H. MOORE, III *

JOEL PATRICK JONES

W. NICHOLAS REYNOLDS

JAMES R. BAILES

Please find enclosed a petition for appeal of the Inspector's decision, Docket #IFFH 6092.

Sincerely,

J. Grant McGuire

JGM/jc

CC: Donald Johnson, Esquire (w/encl)
Mark Swartz, Esquire (w/encl)
Bernie Ulincy (w/encl)

ASHLAND EXPLORATION, INC.

Petitioner/Appellant,

VS.

RE: Gas and Oil Inspector's Decision
DOCKET # IFFH 6092

FON ROGERS II, TRUSTEE; LON B.
ROGERS BRADSHAW, TRUST #2;
OXY USA, INC.; BUCHANAN PRODUCTION
CO.; ISLAND CREEK COAL CO.;
GEORGIA PACIFIC CORPORATION,

Respondents/Appellees.

PETITION FOR APPEAL OF INSPECTOR'S DECISION

comes Ashland Exploration, Inc. ("Ashland") by counsel, and petitions the Virginia Gas and Oil Board ("Board") to reverse the decision of the State Gas and Oil Inspector signed on the 29th day of December 1992, in the matter before the Gas and Oil Inspector Docket #IFFH 6092, which decision denied the issuance to Ashland of a drilling permit for proposed Well Clinchfield-Ritter-Rodgers Unit #1, Well #2-CBG (the "Well"). Ashland is the aggrieved permit applicant and has standing to appeal pursuant to Section 23 of the Virginia Gas and Oil Act.

The addresses of counsel for the parties are contained on the certificate of service. The addresses of the parties are: Fon B. Rogers, II, and Lon B. Rogers (individually and as trustees), 403 Quality Place, 300 East Main Street, Lexington, Kentucky, 40507; Georgia Pacific, P.O. Box 105605, Atlanta, Georgia,

30348; Island Creek Coal Company, 250 W. Main Street, Lexington, Kentucky, 40515; Buchanan Production Co., C/O Mark Swartz, P.O. Box 517, Abingdon, Virginia, 24210; Oxy USA, Inc., P.O. Drawer Q, Richlands, Virginia, 24641.

ISSUES

Among the issues Ashland will raise on appeal are:

- (1) Whether proper notice was given.
- (2) Whether Ashland had the required "Consent to Stimulate" from Georgia Pacific.
- (3) Whether Ashland's permit application was clear as to the means by which the Well will be stimulated.
- (4) Such other issues as are relevant to the permit process or as were raised by the parties at the Inspector's hearing held on December 22, 1992.

ASSIGNMENTS OF ERROR

The Inspector erred for the following reasons:

(Georgia Pacific and the Rogers interests) had established reasonable grounds that they maybe a royalty owner of coalbed methane and therefore had standing to object and were required to receive notice. The Inspector further found that the parties acknowledged by their appearance that they had been afforded notice. All parties had previously submitted written objections to the Inspector. The Inspector erred in affording the alleged royalty owners an additional fifteen (15) days for objections

when, in fact, the royalty owners (Georgia Pacific and the Rogers) had made such objections in writing and by counsel at the hearing.

- (2) The Inspector erred in stating that Ashland had failed to obtain the Consent to Stimulate for coalbed methane from Georgia Pacific. The consent issue was never argued at the hearing and never raised by counsel for Georgia Pacific, except by way of written objection. The Inspector informed the parties that he was only considering the three issues as summarized on his December 11, 1992 notice (a) improper notice; (b) unit shown on plat has not been approved by VGOB; and (c) inadequate operations plans. No evidence was taken on the consent issue. Georgia Pacific is a 20% owner of the fee interest in the property, but is not a "coal operator" required to give any consent to stimulate.
- (3) Ashland's application and testimony was clear in defining the means by which the Well would be stimulated. The Inspector erred in finding that the application was unclear.

WHEREFORE, Ashland requests the Board to reverse the Inspector's decision signed on December 29, 1992, and direct the Inspector to issue a permit for the Well.

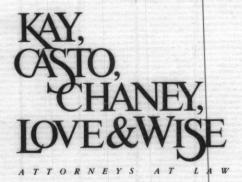
761. Cm.

Counsel for Ashland Exploration, Inc J. Grant McGuire J. Grant McGuire Campbell, Woods, Bagley, Emerson, McNeer & Herndon P. O. Box 1835 Huntington, West Virginia 25719

CERTIFICATE OF SERVICE

I, J. Grant McGuire, hereby certifies that a true copy of the foregoing was mailed this <u>r</u> day of January, 1993, to Donald Johnson, Esquire, at his address at 5 West Valley Bristol, Virginia, 25201, counsel for Fon Rogers, II and Lon Rogers (individually and as Trustees of various entities and as agents for other parties), Mark Swartz, P. O. Box 2031, Charleston, West Virginia, 25372, counsel for Georgia Pacific, Cxy USA, Inc., Island Creek Coal Company and Buchanan Production Company.

Counsel for Ashland Exploration, Inc.



1600 CHARLESTON NATIONAL PLAZA, MAILING ADDRESS: P.O. BOX 2031, CHARLESTON, WEST VIRGINIA 25327 TELEPHONE (304) 345-8900 TELEFAX (304) 345-8909 - (304) 343-9833

3000 HAMPTON CENTER, SUITE C, MAILING ADDRESS: P.O. BOX 1230, MORGANTOWN, WEST VIRGINIA 26507 TELEPHONE (304) 599-8900 TELEFAX (304) 599-8901

329 WEST MAIN STREET, MAILING ADDRESS: P.O. BOX 517, ABINGDON, VIRGINIA 24210
TELEPHONE (703) 628-9211 TELE AX (703) 628-9334

PLEASE REPLY TO:

Abingdon Office

MARK A. SWARTZ, West Virginia
HOWARD G. SALISBURY, JR., Virginia and West Virginia

February 8, 1993

HAND DELIVERED TO ADDRESSEE

Byron T. Fulmer
Department of Mines, Minerals and Energy
Division of Gas and Oil
P.O. Box 1416
Abingdon, Virginia 24210

Re: Ashland VGOB appeal of Gas and Oil Inspector's decision in IFFH 6090

Dear Tom,

I enclose herewith 10 copies of a Memorandum tendered on behalf of OXY USA Inc., Buchanan Production Company, Island Creek Coal Company and Georgia-Pacific Corporation regarding the captioned appeal.

Yours very truly,

Mark A. Swartz

cc: J. Grant McGuire, Esq.
Donald R. Johnson, Esq.
Martin E. Wirth
William Covington
Steven Breeding

